

**Peoples Federal Savings Bank**

435 Market Street  
Brighton, MA 02135

**FAX**

DISPATCH

2000 SEP 19 A 11:25

**To:**

Office of Thrift Supervision  
1700 G Street, NW  
Washington, DC 20552  
Manager - Dissemination Branch  
Information Management &  
Services Division  
202-906-7755

**From:**

Thomas J Leetch  
President

**Date:** September 19, 2000**Number of Pages:** 4 including cover sheet**Phone:** 617-254-0707**Fax:** 617-783-2271**Remarks:**

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DISPATCH

# Peoples

## Federal Savings Bank

September 19, 2000

Manager - Discrimination Branch  
Information Management and Services Division  
Office of Thrift Supervision  
Department of the Treasury  
1700 G Street, NW  
Washington, DC 20552

RE: Proposed Revisions to the Thrift Financial Report (TFR) for March 2001

To Whom It May Concern:

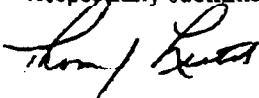
This letter is being forwarded to your office in response to a proposed revision to the TFR for March 2001. Peoples Federal Savings Bank of Brighton, Massachusetts is a two hundred million-dollar mutual institution located approximately four miles from the center of Boston. Our institution has been active for many years as a mortgage banker, with significant activity in the secondary mortgage market, here in New England. We are a well-capitalized institution, with a constant return on average assets of 1.31%, which significantly exceeds our peer group. Although we are considered a small community bank by the standards of our mega bank competition, we have historically retained a large percentage of our mortgage loan originations, in our primary CRA designated area.

The background of our small community institution and the history of our mortgage banking performance is necessary to outline a potential regulatory problem with a new proposed revision as outlined in the Federal Register of August 4, 2000. The focus of our concern is in the new proposed reporting schedule entitled, (Non-Traditional Lending), and the additional data that will be required from OTS regulated savings associations. Peoples Federal Savings Bank has no immediate objection to reporting high loan to value ratios (LTV) where a mortgage loan exceeds 90% of the value of a dwelling. We do, however, have a number of issues with the determination of subprime lending as reported in your most recent memo of August 17, 2000. The terminology of subprime lending appears to be too broad in scope to adequately reflect the ultimate concerns of the Office of Thrift Supervision, which is a stronger emphasis on the risk focus supervision for all OTS regulated institutions.

Mixed use properties, which contain commercial and residential uses, which are not readily saleable in the secondary mortgage market, but are being considered for collateral purposes by the new housing initiatives of the Federal Home Loan Banks, would be one form of mortgage loan which could be questionable. What are the characteristics for a subprime loan in this example and to what standards should a savings association adhere to categorize a nonconforming secondary mortgage market loan to acceptable standards?

It is the fervent desire of Peoples Federal Savings Bank to respectfully suggest that any proposed revision to the TFR report, regarding nontraditional lending, with a focus on subprime lending be deferred until a later date, until such time as the Office of Thrift Supervision has adequately defined, for the benefit of its regulated institutions, the definition of "subprime lending".

Respectfully submitted,



Thomas J. Leetch  
President

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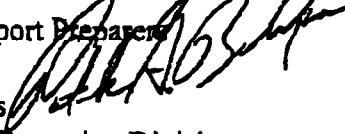
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West Roxbury, MA 02132-2594  
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**Office of Thrift Supervision**  
**Department of the Treasury**

1700 G Street, N.W., Washington, DC 20552 • (202) 906-6000

August 17, 2000

**MEMORANDUM FOR:** Thrift Financial Report ~~Preparers~~  
**FROM:** Patrick G. Berbakos   
Director, Financial Reporting Division  
**SUBJECT:** Proposed Revisions to the TFR for March 2001

In the enclosed Federal Register notice published on August 4, 2000, the Office of Thrift Supervision (OTS) proposed changes in the Thrift Financial Report (TFR) to be effective with the March 2001 reporting cycle. We have asked for comment on the proposed changes during the 60-day period, which ends October 3rd. Any changes must then be published in a final notice and approved by the Office of Management and Budget.

The proposed changes in reporting requirements are designed to complement the federal banking agencies' emphasis on risk-focused supervision. Some of the changes would result in more uniformity in reporting requirements for savings associations, banks and bank holding companies.

Among the changes proposed are:

- **Nontraditional Lending** — A new schedule, NL, would be added to collect data on high loan-to-value loans and subprime lending. Data would only be required from savings associations making such loans. Thrifts would submit data on balances, originations and purchases, sales, charge-off and recovery items, and delinquency for (1) high loan-to-value (LTV) mortgage loans in which the amount of the loan exceeds 90 percent of the dwelling and (2) subprime lending. OTS has requested comment on the definition of subprime lending.
- **Definition of Mortgage Loans** — Mortgages would be redefined to include all loans predicated upon a security interest in real property, regardless of whether they are secured by first or junior liens, or which department or subsidiary originated the loan, or the purpose of the loan. Home equity loans currently categorized as nonmortgage loans would be reclassified as mortgage loans.

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- **Holding Company Financial Information** — A schedule would be added to the TFR to collect data on the financial condition of thrift holding companies, based on the holding company's consolidated financial statements. The data would include: total assets; total liabilities; total equity; intangible assets and deferred policy acquisition costs; debt maturing within the next 12 months (excluding deposits); all other debt (excluding deposits); net cash flow from operations; net income; and interest expense.
- **Federal Home Loan Bank Structured Advances and Other Structured Borrowings** — Schedule CMR (Consolidated Maturity/Rate) would be changed to collect estimates of the market value of structured borrowings to better evaluate the interest rate risk they pose. Such instruments include Federal Home Loan Bank structured advances, which are loans with imbedded options such as call options.
- **Fiduciary and Related Services** — A schedule would be added to collect trust activities consistent with the proposal of the other banking agencies. This schedule would replace the Annual Report of Trust Assets and would be filed quarterly for only those thrifts with total fiduciary assets greater than \$100 million or fiduciary income greater than 10% of their combined net interest and noninterest income. All other thrifts involved in trust activities would report select information annually.

In addition, the notice requests comment on the elimination of confidential treatments for certain interest rate risk and past due data, Schedules CMR and PD.

In March 2000, OTS proposed collecting additional information on high loan-to-value loans, trust assets, residual interests in financial assets sold and structured liabilities. Those changes were to have been effective beginning with the third quarter of 2000, but OTS decided to postpone any changes to the TFR until March 2001 to conform with the timing of changes to bank call reports. Comments received on that earlier proposal will be considered as a response to this proposal.

The notice and request for comments was published in the August 4, 2000, edition of the Federal Register, Vol. 65, No. 151, pp. 48049-48056. Written comments must be received on or before October 3, 2000, and should be addressed to: Manager, Dissemination Branch, Information Management and Services Division, Office of Thrift Supervision, 1700 G Street, N.W., Washington, DC 20552. Comments may be mailed, hand-delivered, faxed to (202) 906-7755 or (202) 906-6956 (if the comment is over 25 pages) or e-mailed to: [public.info@ots.treas.gov](mailto:public.info@ots.treas.gov). All commenters should include their name, business association, and telephone number.

Enclosures:

- OTS August 4, 2000 Federal Register Notice
- Proposed Thrift Financial Report form
- Detailed listing of all line item changes, additions, and deletions